



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

April 2004 Summary

U.S. Economy: April economic indicators point to a strengthening recovery. ISM indices have signaled expanding manufacturing and services sectors for the past year. Similarly, the Conference Board's index of leading indicators rose last month and has not fallen in over a year. Industrial production reported its third substantial increase in the past four months. Despite declining last month, retail sales were still up 8.0 percent from a year ago. Business confidence was up sharply from a year ago. Through April, consumer sentiment had held fairly steady in recent months. However, sentiment appears to have fallen off somewhat in May. While the four-week moving average of unemployment claims at the end of April was up compared with the end of March, the average was down compared with recent months.

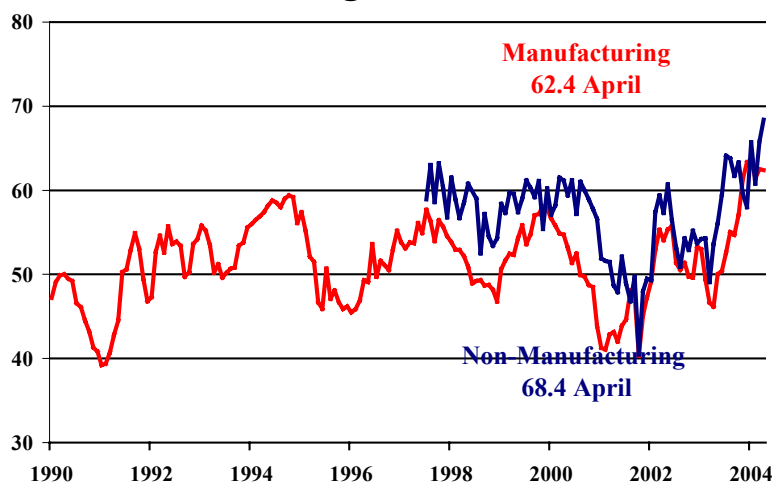
Employment: Michigan's April unemployment rate fell to 6.1 percent. Michigan payroll employment rose by 19,000 jobs in April. The national unemployment rate fell to 5.6 percent. In the U.S., April payroll employment rose by 288,000 jobs, after a revised 337,000 job increase in March.

Auto Industry: April light vehicle sales fell to 16.4 million. Compared to a year ago, the three-month average of vehicle production was up 6.2 percent nationally and up 8.4 percent in Michigan. Light vehicle inventories were up 8.6 percent from a year ago.

Inflation: Compared to a year ago, overall consumer prices rose 2.3 percent nationally and increased 1.4 percent as measured by the Detroit CPI.

Michigan Metro Areas: Seasonally unadjusted April unemployment rates ranged between 3.3 percent (Ann Arbor MSA) and 9.1 percent (Northeast Lower Michigan) for the twelve major labor market areas. County unemployment rates ranged between 2.7 percent (Washtenaw) and 14.3 percent (Montmorency).

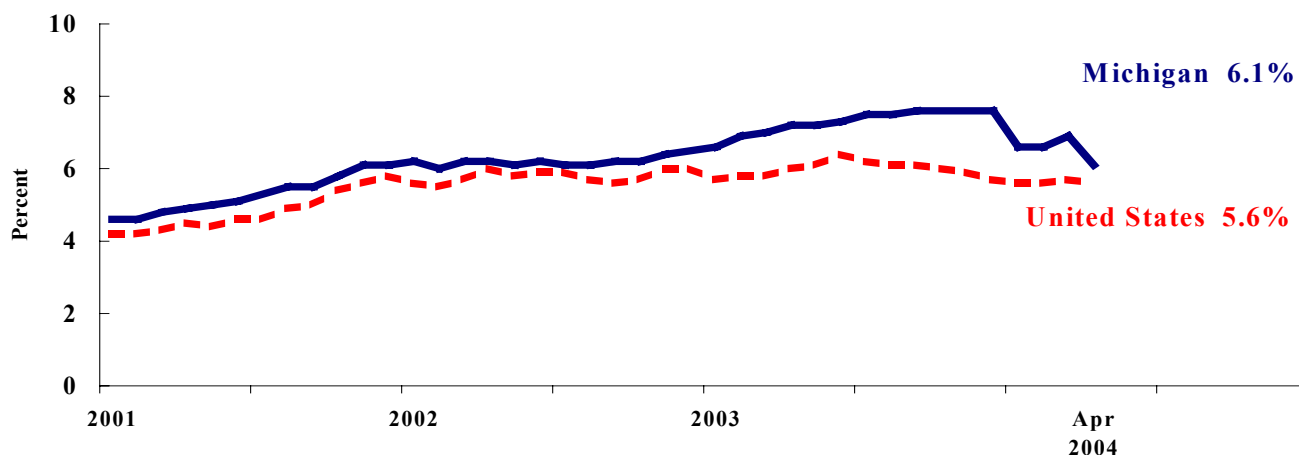
ISM Indices Signal Continued Growth ⁽ⁱ⁾



Labor Market Statistics

- Michigan's April monthly unemployment rate decreased 0.8 percentage points to 6.1 percent. A significant reduction in the labor force led to the lower unemployment rate (see below). The April Michigan jobless rate is 1.1 percentage points below the rate a year ago. The April U.S. unemployment rate decreased to 5.6 percent, 0.1 of a percentage point below last month's rate and 0.4 of a percentage point below a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth; and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,729,000 in April, up 6,000 from last month, while the labor force decreased significantly by 47,000 in April. As a result, the statewide total number of unemployed fell to 305,000.
- United States household employment totaled 138.6 million persons in April, up 278,000 from March. The labor force increased by 91,000 from last month, which meant that there were 188,000 fewer unemployed people nationally, compared to March 2004.

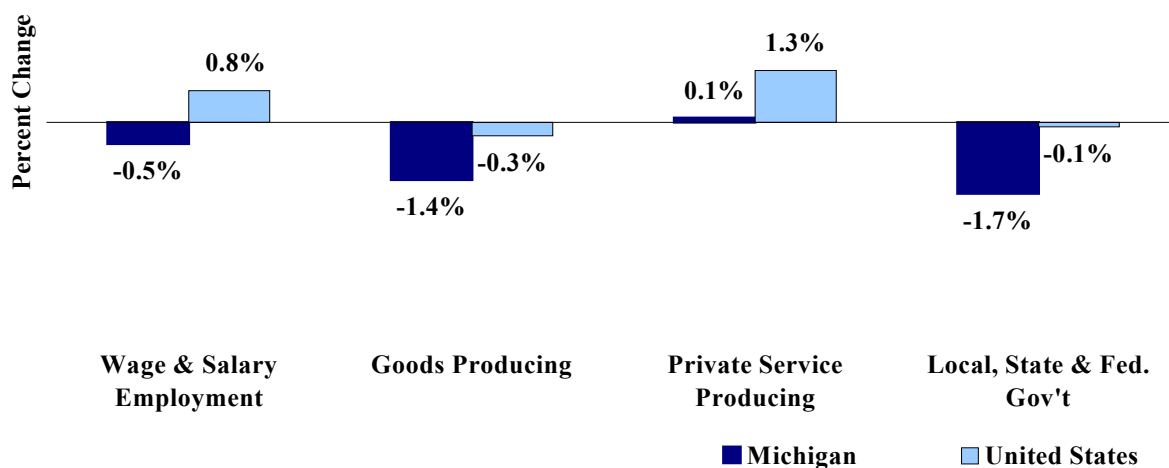
Employment by Place of Residence (in thousands)^(a)

	2003 Average	Feb 2004	Mar 2004	Apr 2004	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,042	5,071	5,075	5,035	-40	-0.8%	n.a.	n.a.
Employed	4,674	4,737	4,723	4,729	6	0.1%	n.a.	n.a.
Unemployed	368	334	352	305	-47	-13.4%	n.a.	n.a.
Unemployment Rate	7.3%	6.6%	6.9%	6.1%	n.a.	-0.8% pts	n.a.	-1.1%
United States								
Labor Force	146,510	146,471	146,650	146,741	91	0.1%	n.a.	n.a.
Employed	137,736	138,301	138,298	138,576	278	0.2%	n.a.	n.a.
Unemployed	8,774	8,170	8,352	8,164	-188	-2.3%	n.a.	n.a.
Unemployment Rate	6.0%	5.6%	5.7%	5.6%	n.a.	-0.1% pts	n.a.	-0.4%

Employment by Place of Work

- From April 2003 to April 2004, Michigan wage and salary employment declined 23,000 (0.5 percent). However, state wage and salary employment rose for the second straight month in April, rising by 19,000 jobs. Nationally, April 2003 wage and salary employment rose by 288,000 following a 337,000 March gain. From a year ago, U.S. wage and salary employment has risen by one million jobs.

Wage and Salary Employment Growth April 2003 to April 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- Michigan goods producing sector employment fell 1.4 percent from a year ago while the state's private service-producing sector employment rose slightly. From a year ago, April national employment in the goods-producing sector fell 0.3 percent but rose 1.3 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.5 hours compared to last year.

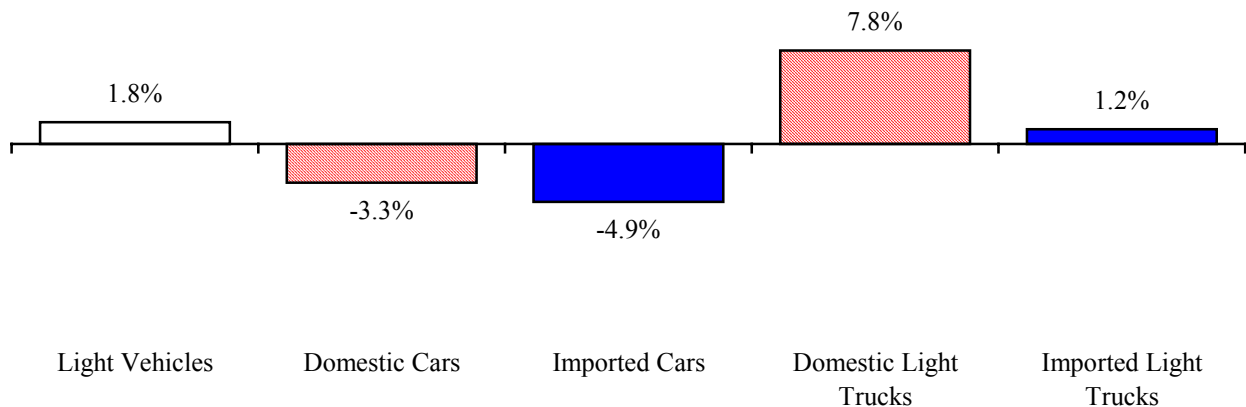
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Apr 2003	Apr 2004	Percent Change	2003 Average	Apr 2003	Apr 2004	Percent Change
Wage & Salary Employment	4,412	4,414	4,391	-0.5%	129,931	129,901	130,902	0.8%
Goods Producing	925	925	912	-1.4%	21,817	21,880	21,808	-0.3%
Manufacturing	727	729	713	-2.2%	14,525	14,623	14,351	-1.9%
Private Service Producing	2,805	2,802	2,805	0.1%	86,538	86,424	87,520	1.3%
Trade, Trans. & Utilities	815	816	809	-0.9%	25,275	25,326	25,436	0.4%
Services	1,700	1,696	1,711	0.9%	50,092	49,916	50,911	2.0%
Local, State & Fed. Gov't	681	687	675	-1.7%	21,575	21,597	21,574	-0.1%
Manufacturing Weekly Hours	42.1	42.0	42.5	0.5 hrs	40.4	40.1	40.6	0.5 hrs

Motor Vehicle Industry Sales

- Light vehicle sales fell slightly in April to a 16.4 million unit rate, down 1.4 percent from last month. Compared to a year ago, sales were essentially unchanged.
- Compared to a year ago, domestic sales were unchanged while foreign sales rose slightly. Auto sales fell 2.3 percent; light truck sales rose 2.1 percent. Light vehicle inventories rose 8.6 percent from a year ago; days supply rose by five days to 78 days.
- Year-to-date 2004 light vehicle sales are up 1.8 percent compared to last year. Domestic light truck sales are up 7.8 percent for the year, while import light truck sales are up 1.2 percent year-to-date in 2004. Domestic car sales are down 3.3 percent year-to-date while import car sales are down 4.9 percent.

2004 Light Vehicle Sales Slightly Up Year-to-Date



Motor Vehicle Sales Statistics

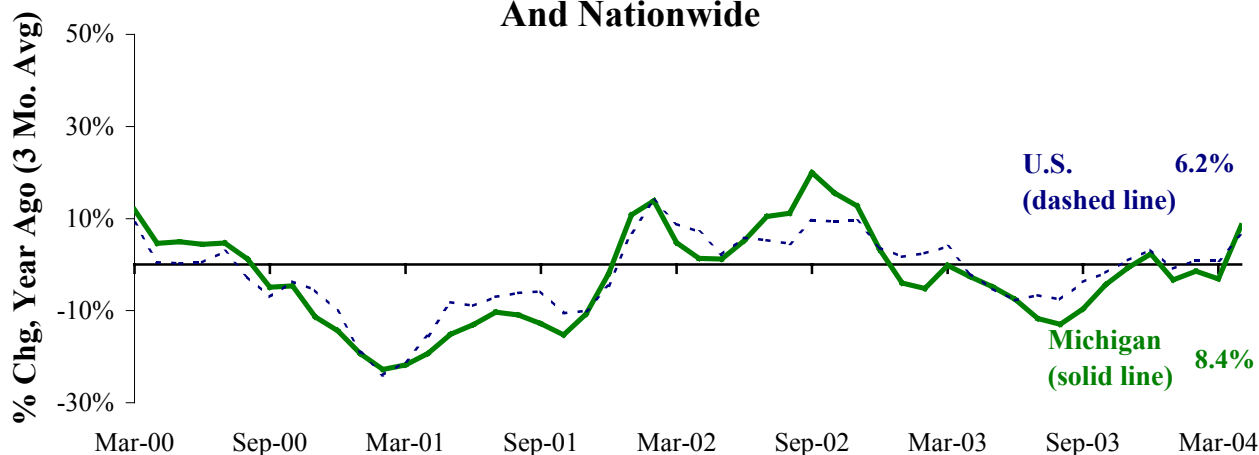
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Feb 2004	Mar 2004	Apr 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.4	7.7	7.4	7.5	(0.2)	-2.3%
Domestics	5.5	5.3	5.6	5.2	5.4	(0.3)	-5.0%
Imports	2.1	2.1	2.1	2.2	2.1	0.1	4.8%
Import Share	27.4%	28.0%	27.6%	29.8%	28.4%	2.0% pts	
Light Trucks	9.0	8.9	8.9	9.0	8.9	0.2	2.1%
Domestics	7.8	7.7	7.6	7.8	7.7	0.3	3.6%
Imports	1.2	1.2	1.3	1.2	1.2	(0.1)	-7.3%
Import Share	13.5%	13.7%	14.1%	12.8%	13.5%	-1.3% pts	
Total Light Vehicles	16.6	16.3	16.6	16.4	16.4	0.0	0.1%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	26.6%
Total Vehicles	17.0	16.7	17.0	16.8	16.8	0.1	0.6%
U.S. Light Vehicle Inventories ^(d)		Feb-04	Mar-04	Apr-04	3 Month	Change	
Total Car	1.552	1.638	1.652	1.666	1.652	0.013	
Days Supply	63	68	62	67	66	1 day	
Total Truck	2.151	2.383	2.521	2.605	2.503	0.325	
Days Supply	74	83	81	87	84	8 days	

Motor Vehicle Industry Production

- At 252,615 units, April Michigan light vehicle production increased 12.6 percent from a year ago, compared with a 5.3 percent increase nationally. From a month ago, Michigan production fell 8.8 percent while national production declined 10.0 percent.
- Compared with a year ago, state car production fell 1.5 percent while state truck production rose 31.5 percent. Nationally, car production rose 1.7 percent while truck production grew 7.5 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was up 8.4 percent from a year ago, compared with a 6.2 percent increase nationally.

Light Vehicle Production Up in Michigan And Nationwide



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Feb 2004	Mar 2004	Apr 2004	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	369.8	425.3	392.9	396.0	6.5	1.7%
Trucks	634.6	664.3	782.9	693.9	713.7	48.6	7.5%
Total	1,011.0	1,034.1	1,208.2	1,086.8	1,109.7	55.1	5.3%
Michigan Production ^(f)							
Autos	127.2	120.2	136.6	126.6	127.8	(1.9)	-1.5%
Trucks	104.8	115.5	140.3	126.0	127.3	30.1	31.5%
Total	232.0	235.8	276.9	252.6	255.1	28.3	12.6%
Michigan as % of U.S.	22.9%	22.8%	22.9%	23.2%	23.0%	1.5% pts	

April 2004 Unemployment Rates Fell in All Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, April 2004 unemployment rates fell in all the major labor market areas. Six major labor market areas reported declines of 1.0 percentage point or more; two areas reported declines exceeding 2.0 percentage points. The median decline was 1.2 percentage points.

The Northeast Lower Michigan area and Grand Rapids MSA reported the largest decline from a year ago (2.5 percentage points) followed by the Jackson MSA (1.7 percentage points) and the Northwest Lower Michigan area (1.6 points). The Lansing MSA reported the smallest decline from a year ago (0.3 of a percentage point). The Kalamazoo MSA and Benton Harbor MSA reported the second smallest decline (0.4 of a percentage point).

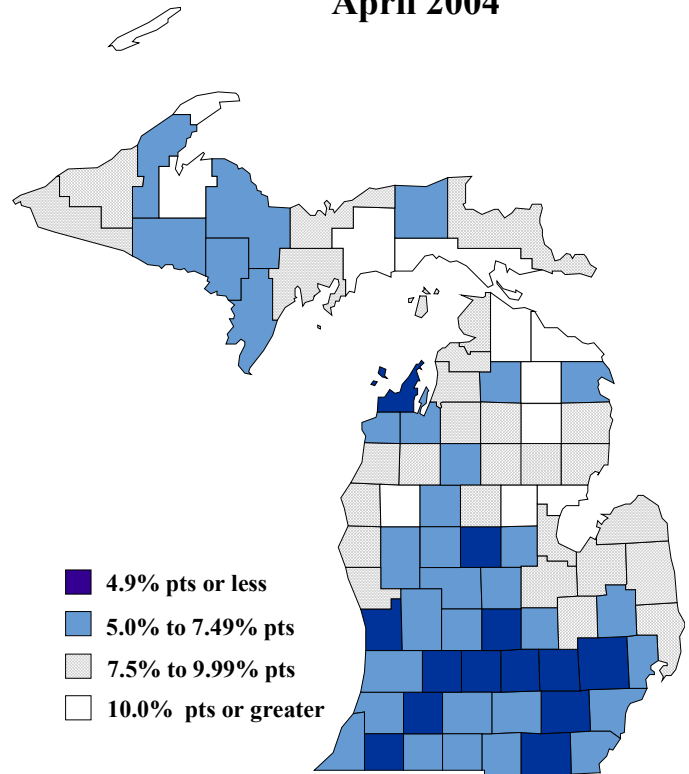
April 2004 unemployment rates ranged between 3.3 percent (Ann Arbor) and 9.1 percent (Northeast Lower Michigan). Ann Arbor MSA and Lansing MSA were the only two areas to report an unemployment rate below 5.0 percent. Compared to March's unemployment rates, all twelve areas reported unemployment rate declines.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Apr 2003 Rate</u>	<u>Apr 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.2%	6.0%	7.1%
Ann Arbor MSA	4.0%	3.3%	4.0%
Benton Harbor MSA	6.4%	6.0%	7.2%
Detroit PMSA	7.0%	6.1%	7.1%
Flint MSA	9.2%	7.8%	9.2%
GR-Musk-Holl MSA	8.2%	5.7%	6.8%
Jackson MSA	7.8%	6.1%	7.2%
Kal-Battle Creek MSA	5.8%	5.4%	6.2%
Lansing MSA	4.4%	4.1%	4.9%
Sag-Bay-Midland MSA	8.0%	7.3%	8.3%
Upper Peninsula	8.8%	7.3%	8.3%
Northeast Lower Mich	11.6%	9.1%	11.5%
Northwest Lower Mich.	8.7%	7.1%	8.5%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

Unemployment Rates April 2004



Compared to April 2003, unemployment rates fell in 82 counties and remained unchanged in one county.

Among Michigan's 83 counties, 11 counties reported an April unemployment rate of 10.0 percent or higher. Thirteen counties recorded an unemployment rate of 5.0 percent or less.

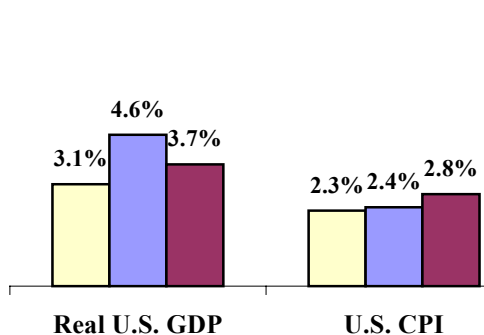
Michigan Consensus Conference Economic Forecast

U.S. Stronger, Michigan Begins to Recover

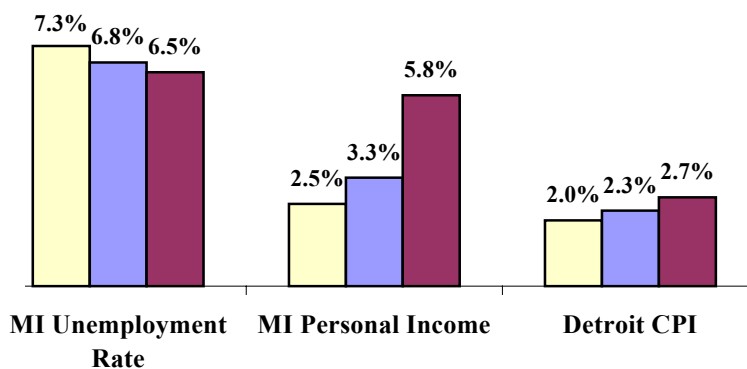
At the Consensus Revenue Estimating Conference held May 18, 2004, the Michigan Department of Treasury, House Fiscal Agency (HFA) and Senate Fiscal Agency (SFA) agreed on economic and revenue forecasts for FY 2003-2004 and FY 2004-2005. Below are some highlights:

- Recent employment reports and other economic indicators suggest that labor markets have firmed and that employment has begun to grow. Real GDP is forecast to grow 4.6 percent in 2004 and to increase 3.7 percent in 2005.
- With employment improving, the U.S. unemployment rate is forecast to decline to 5.5 percent in 2004 and 5.3 percent in 2005. Inflation is expected to remain moderate, averaging 2.4 percent in 2004 and 2.8 percent in 2005.
- Light vehicle sales are forecast to slightly increase to 16.7 million units in 2004 and increase in 2005 to 16.9 million units.
- Michigan wage and salary employment is projected to decline for the fourth straight year in 2004 before increasing by 1.5 percent in 2005. Michigan's unemployment rate is projected to fall to 6.8 percent in 2004 and 6.5 percent in 2005.
- Michigan's personal income is projected to rise by 3.3 percent in 2004 and then increase by 5.8 percent growth in 2005. The Detroit CPI is forecast to rise 2.3 percent in 2004 and 2.7 percent in 2005. Thus, real (inflation adjusted) personal income is forecast to increase 1.7 percent in 2004 and then increase 2.8 percent in 2005.

U.S. Economic Forecast
Growth Rebounds in 2004



Michigan Economic Forecast
Unemployment Declines, Income Growth Rebounds



■ 2003 ■ 2004 ■ 2005

Source: May 18, 2004 Consensus Revenue Estimating Conference

U.S. Economic Conditions

	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	103.8	94.4	95.8	94.2	8.2 points
ISM Manufacturing Index ⁽ⁱ⁾	63.6	61.4	62.5	62.4	16.2 points
ISM Non Manufacturing Index ⁽ⁱ⁾	65.7	60.8	65.8	68.4	14.8 points
	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	60.0	67.0	66.0	73.0	20.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	185.2	186.2	187.4	188.0	2.3%
Detroit CPI	NA	183.4	NA	184.7	1.4%
U.S. Producer Price Index	145.4	145.3	146.2	147.3	3.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.89%	0.92%	0.94%	0.94%	-0.20% points
Aaa Corporate Bonds ^(m)	5.54%	5.50%	5.33%	5.73%	-0.01% points
INDUSTRIAL PRODUCTION ^(m)					
	113.8	114.6	114.5	115.4	4.8%
CAPACITY UTILIZATION ^(m)					
	76.2%	76.6%	76.5%	76.9%	2.7% points
RETAIL SALES ⁽ⁿ⁾					
	\$323.9	\$327.0	\$333.4	\$331.8	8.0%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	2.067	1.934	1.895	2.011	16.4%
Existing Home Sales ^(p)	6.370	6.000	6.130	6.480	12.7%
DURABLE GOODS ORDERS ^(q)					
	\$184.4	\$179.5	\$186.4	\$195.8	14.9%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>% Change From Year Ago</u>
Michigan	\$302.9	\$305.4	\$307.3	\$311.7	3.2%
U.S.	\$9,040.4	\$9,140.0	\$9,253.3	\$9,362.3	4.3%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,288.3	\$10,493.1	\$10,600.1	\$10,716.0	4.4%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce.